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London

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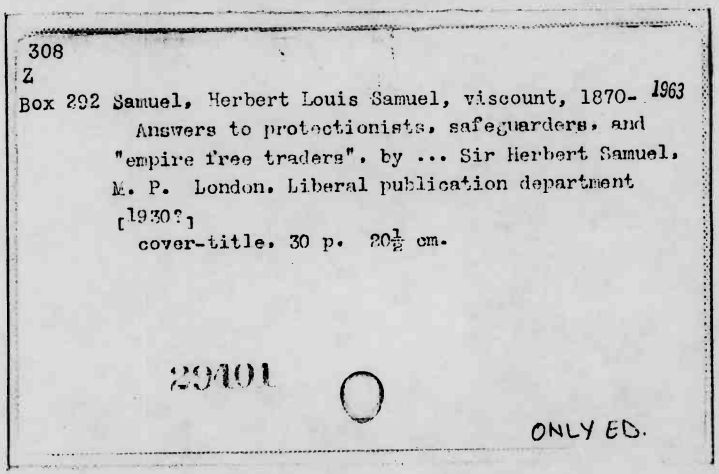

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ANSWERS

to

Protectionists
Safeguarders
and
"Empire Free Traders"

by

The Rt. Hon.
SIR HERBERT SAMUEL, M.P.

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Box 292

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Answers to Protectionists

UNEMPLOYMENT

The Protectionists say that trade is so bad in many of our principal industries that we must have a change. Free Trade is discredited; and we must put duties on foreign goods imported into this country so as to give more employment to our people.

BUT—many of our industries are not depressed. A tariff might mean more employment in some industries, but it would also mean less employment in others: and on the whole things might be made much worse than they are now. The question to be considered is *whether the change proposed would improve the present situation as a whole or worsen it.*

There was another agitation for Protection like the present one, thirty years ago. Mr. Joseph Chamberlain said that our chief trades were on the verge of ruin; unemployment was at a high level; he pleaded for "Tariff Reform" to cure it. The country rejected it. Trade revived without it. In 1913, before the War, British production was at its highest; exports reached a record; unemployment was down to 2 per cent. Experience shows that employment may be expanded without Protection.

Experience shows also that unemployment may be widespread *under* Protection. There were 3¼ million workers unemployed in Germany in March 1930. In the United States it was estimated—though there are no official figures—that at least four millions were unemployed at that time. In Australia, unemployment is acute. In Bombay, the Indian cotton mills complain of severe depression. In Japan, unemployment is very serious. All those countries have Protection. The results in terms of employment which Protectionists promised in those countries have not materialised, and there is no reason to expect a more satisfactory result here.

INTENTIONAL SECOND EXPOSURE

Oct. 17, 1930 DA/WEC

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FOREIGN COMPETITION

Protectionists say that it is hopeless to expect our manufacturers to be able to compete with the lower paid labour of other countries, and that therefore we must shut out foreign goods by tariffs.

Several points have to be borne in mind with regard to this.

1. British industry has always had to compete against lower wages in other countries. It has done so successfully in the past; it does so still in very many trades; in the others, if they adopt the methods which have hitherto proved so successful, it should recover its position.

2. Labour cost is only one item in production, and often not the most important. The kind of goods manufactured; their quality; the methods of marketing; the sound financing of businesses; up-to-date machinery; efficient organisation of production; steady and skilful work by the operatives; these are also matters on which success or failure depend.

3. It is a mistake to suppose that cheap labour necessarily means cheap production. It may be so in some branches of low grade industry, but not in the goods of high quality and reputation, on which British trade mostly concentrates. For example, Sir Percival Perry, the Chairman of the Ford Motor Company of Great Britain, said in March, 1930:—

> "This company and its associated companies are employing Englishmen, Irishmen, Dutchmen, Frenchmen, Belgians, Danes, Germans, Italians, Spaniards, Swedes, Finns, and Turks, all working in their respective countries, and doing the same job with similar tools under equal factory conditions. We compare how long it takes each respective man to complete his work. In Denmark, where we pay the highest wages in

> Europe, we find the lowest 'minute costs.' On the other hand, in Belgium, where the wages are lowest, the 'minute costs' are highest. This is no flash-in-the-pan casual comparison. Week after week and month after month the figures confirm this experience."

4. The late Conservative Government laid it down as a condition that must be fulfilled before any industry could claim "safeguarding" that "the foreign goods imported were manufactured in the country of origin under unfair or inferior conditions of hours or wages." (House of Commons, November 14th, 1928.) But when it comes to the motor industry this is entirely forgotten. The competition which British motors have to meet is mainly from American motors. In America the conditions of production are not inferior to those here, but superior. Yet the Protectionists declare that the British motor industry cannot exist without a tariff. The reason that makes American competition so effective in this trade, as against the lower paid labour in Great Britain, is the high efficiency of production, the adoption of mass methods and the most careful attention to detail. The same methods can make British production in this and other trades successful in spite of lower paid labour on the Continent.

5. Unless our manufacturers adopt the most up-to-date methods and raise their production to the highest point of efficiency, they will not be able to succeed against foreign competition in the more distant markets of the world. *It is vital to the nation that they should succeed.* But if we say, "the position is hopeless, we cannot compete successfully even in our home market, at our own doors, where we have the advantage against the foreigner of no freight to pay"; if we say, "we must have a tariff here to shut out the products of the lower paid labour of the Continent" (as well as of the higher paid labour of America), how can we hope to succeed in our struggle for trade all over the world? Our manufacturers and workmen *must* hold the home market by good organisation, efficient management and skilful workmanship. Unless

they can do that, they cannot hold the foreign markets; and if they cannot hold the foreign markets, the industrial greatness of Britain is ended.

SUCCESSFUL INDUSTRIES

Protectionists say that without their policy our great industries are doomed; there is no alternative.

But, as a matter of fact, many of our great industries hold their own very successfully against the rest of the world without any protection. For example, ship-building. This one island produces more than half the shipping of the whole world, 55 per cent, in 1929. In electrical machinery, our production increased from £30 millions in 1913 to £86 millions in 1928 (the latest figures) and the workers employed increased from 80,000 in 1913 to 181,000 in 1929. Chemicals, tin-plate, bicycles, wallpapers, and numbers of other trades are all doing well. If these can succeed there is no reason why others should not succeed without Protection.

The matter was clearly put, in relation to the safeguarding of the steel trade, by Mr. W. L. Hichens, the Chairman of Messrs. Cammell, Laird & Co., and a Director of the Leeds Forge Co. and of the L.M.S. Railway. He said :—

> "I am not in favour of the safeguarding of iron and steel. . . . If you give a preference to the steel manufacturers, it will be an inducement to them not to do things that are necessary to their salvation. I am thinking in particular of rationalisation, which seems to me to be absolutely necessary. It is not easy; the steel manufacturers will only do it through sheer necessity, and it does not appeal to the British

mentality very much, because we are all such individualists. Therefore, if we give an excuse for not doing what is necessary, such as granting a safeguarding duty, the manufacturers will seize such an excuse."

LOW WAGES ABROAD

Protectionists say that the Trade Unions keep wages up by their activities. The State does the same for agricultural workers, and many others, through the Trade Boards Act. It follows, therefore, that we must keep out foreign goods which are produced by lower paid labour.

But Trade Unionists do not admit that lower wages mean cheaper production. Low wages often mean dear labour and dearer production. Our most formidable competitors are usually the countries with the highest rates of wages.

Further, because we may favour State action in one sphere, it does not follow that we must favour State action in every sphere. We may favour National Education, or strict Sanitary Laws, or Factory Acts, or Acts to secure safety in mines, without *for that reason* being obliged to favour the nationalisation of all industries, or yet the limitation of international trade by means of tariffs. We might favour these things or we might not. Each question or group of questions must be judged on its own merits.

MANUFACTURED IMPORTS

The Protectionists say that it must be obviously right to shut out foreign manufactured goods so that our people may make them themselves. There are £300,000,000 worth of such goods

imported annually, and they say that to shut them out would mean employment for more than a million workers.

But what do these goods consist of ? A large part are the manufactured goods of one trade, but the raw materials for another. For example, cotton or woollen yarn is the manufactured article of the spinner ; but it is the raw material for the weaver. When leather leaves the tannery, it is the tanner's finished product ; when it comes to the boot-maker's factory it is raw material. The steel-maker is done with his product when he sells his steel-plates ; the ship-builder when he buys them is purchasing the raw material for a ship. Everyone knows that our manufacturers of cotton and woollen cloth, of boots, of ships, and all other such things, are hard put to it to get orders in the markets of the world. There is keen competition from other countries. If our foreign competitors can buy their yarn, or their leather, or their steel-plates cheaper than our manufacturers can, this country will lose the orders. Tax the yarn, the leather, the plates, that come in from abroad, and you *may* for a few months give more employment to the workers in Great Britain who make those things here ; but the later effect would be different. The price of the articles would go up.

For if it is not intended to raise prices, why do our Protectionist manufacturers say that they "are being undersold by foreign competition !" They ask for Protection to prevent that "underselling." That is, they ask that prices should be raised above the present prices. The people who buy these goods would have to pay more for them. So the textile manufacturer, the boot manufacturer, the ship-builder, would have to pay more for their materials if we were to tax foreign yarns, leather and steel-plates. They would, therefore, be obliged to quote higher prices for orders abroad. They would be at a disadvantage with their rivals in other countries who could get these raw materials at the lower prices. Orders would be lost to Great Britain, and the result would be that these manufacturers would not buy any more yarn, or leather, or plates

in this country than they do now. So there would be no new employment for those trades. But many of those *now* employed in the weaving-mills, the boot factories and the ship-yards would *lose the employment they have to-day*, because of the loss of the foreign orders which we are able to obtain to-day.

These are only examples, and the same thing applies in scores of other trades. In a great exporting country like Britain, which sends out every year nearly £600,000,000 of manufactured goods, any form of Protection would strike a deadly blow at our export trade ; and would mean, on the whole and in the long run, *more unemployment than there is now.*

"TAXING THE FOREIGNER"

Protectionists say that taxes on imports need not raise prices to the consumer, for several reasons. First, some say that the foreigners can be made to pay the tax. "They tax us, why shouldn't we tax them ?"

That would no doubt be excellent if it could be done, but it cannot. The foreigners do not tax us by their import duties, but themselves. If we put on import duties we should not be taxing them, but ourselves. When a duty is put on, the price of the imported article goes up. If it is still bought, the consumer pays the duty, and it is he who is taxed and not the foreigner. If in place of the foreign article an article produced at home is bought, that article too will be dearer than the foreign article which was bought before. If the British article could be sold at the same price as the foreign article of the same quality, why should anyone ever have bought the foreign article ? What need was there of a duty ? Why should the home producer complain of being "undersold by the foreigner ?" Protective duties always make prices higher than they would have been if there were no duties.

TARIFFS AND PRICES

Protectionists answer that that need not happen. A second reason why prices need not rise is that there is often a wide margin between the price of the imported material, for example, wheat, and the price of the article bought by the consumer, for example, bread. A duty might be put on and the final price not be raised because the costs and the profits of the processes in between might be reduced.

No doubt there often is a large margin. But to put on a Protectionist duty would not reduce it. Whatever arrangements now permit the traders, who handle the various products, to get intermediate profits would still continue. Whatever toll they can levy now, they would levy still. On the other hand, if it is possible to adopt any means to lessen the intermediate profits, why should they not be adopted at once? Why wait for a Protectionist tariff? The two questions—tariffs and middlemen's profits—are separate questions, and have no relation to one another.

PRODUCTION COSTS

Protectionists give a third reason why prices —at all events of manufactured goods—should not rise after duties are imposed. They say that if the home markets are secured, manufacturers can organise their factories on a large scale, with modern plant, and work full time. They will thus be able to reduce costs of production, and to sell no dearer than before, or even cheaper.

But that is not a question of Protection, but of "rationalisation." Many of our industries have

been reorganised, and their plants are working full time, without being protected. On the other hand, industries which have been "safeguarded" for a number of years have not been rationalised. According to this theory, a limited period of Protection will suffice to enable the industry to put itself on a sound footing.

If that were so, it should be possible to discontinue the duties after a time. But where is there an example, either among the industries which have been "safeguarded" in this country in recent years or among industries which have been protected in other countries, where the manufacturers have been willing to forego their privileges? Are the motor manufacturers here ready to forego the protective duties which they have enjoyed for fifteen years? Or the employers in any one of the "safeguarded" industries? This argument is a mere subterfuge, to give a plausible answer to the Free Traders' accusation that the Protectionists are simply out for higher prices for themselves at the expense of the rest of the community.

TAXES AND PRICES

Protectionists say that the Safeguarding duties have not, in fact, raised prices in the industries concerned, and therefore the Free Trade theory, that protective duties must raise prices, is wrong.

What Free Traders say is that duties *raise prices above what they otherwise would have been.* If prices are falling at the time when the duties are put on, the duties prevent the advantage of the fall from reaching the consumer. That is what has been happening in many of these cases. During the last few years there has been a general fall in the level of wholesale prices, from 159.1 per cent. (of 1913 prices) in 1925 to 136.5 per cent. in 1929.

Where a safeguarding duty is put on, the price may be kept up to what it was, instead of falling as it would otherwise have done.

The effect of every duty has been that consumers pay more for their requirements than they would have done if there had been no duty.

MORE EMPLOYMENT OR LESS?

Protectionists say that even if prices are raised by their policy that need not matter very much. "Cheapness may be bought too dear." "It may be better to pay more for food and other things, and have regular employment, and save the cost of the dole."

But the whole question is *whether there would be more regular employment* to counterbalance the admitted likelihood of higher prices. Facts have already been given to show that in countries where there is Protection, unemployment may, and does, continue, and is often widespread. There is every reason to believe that, while Protection might for a time stimulate employment in a few selected trades which cater specially for the home market, and which are hard pressed by foreign competition, it would certainly throw tens of thousands of workers out of employment in the export, the shipbuilding and shipping trades, as well as in the very important trades which live by the general movement of imports and exports.

In addition, the whole population would suffer by the increase in the cost of living. The poorest would suffer most; while they would see the protected manufacturers making great fortunes out of laws passed by Parliament for their advantage.

PROTECTION BECOMES PERMANENT

Protectionists say that it would be most unfair on the safeguarded industries to deprive them now of the protection deliberately granted to them by Parliament.

But they also tell us that industries only need to be fostered for a short time; they will use that time to organise themselves on rational lines, and to bring themselves up to date; then they will be able to compete with foreign producers, without asking for higher prices from the consumers. Why then do our protected industries demand to be still protected, although they have had a number of years in which to do all these things? Either the claim made is a mere throwing of dust in the eyes of the nation, or else the time has come when the protection can be discarded.

When the system was first introduced in 1921, being applied to what were called "Key Industries," Mr. Baldwin was the President of the Board of Trade, and introduced the measure into Parliament. He proposed that it should extend for five years only. He then said:—

> "The object of fixing the period for five years, which I quite agree may be described as an arbitrary period, is that that is a term of years which after very careful consideration we believe is long enough for any industry to prove that, when it is not having special financial assistance, and when there will still be in some cases competition, those industries can so solidify their position and so perfect their experiments that they may be able to stand and flourish in free competition at the end of the period. If they are unable to do so, I think it is very possible that the Government of the day five years hence may have to confess that the endeavours made by this Government to root in our soil industries that

we believe to be essential have failed, and it is very possible that no further attempt may be made. I think in specifying five years we have gone to the limit of what the industries may reasonably expect." (Hansard, May 31st, 1921.)

Not five years, but nine years, have elapsed since then ; yet any limit of time is now quietly put on one side, and the manufacturers, *as is always the case in every country*, having once got Protection, to their advantage and at other people's expense, do everything in their power to keep it.

THE EFFECT OF IMPORTS

Protectionists say that all importations of things that might possibly be produced here are an injury to our people, and rob our workers of employment.

It is certainly necessary to use every effort to develop home production. It enables a larger population to be employed. But if things can be produced in other countries at a lower price for the same quality, it is better to buy those goods from overseas and to pay for them by sending out goods which we can produce at a lower price than the people overseas for the same quality. Certainly we shall not be able to have our imports without paying for them. Directly or indirectly, sooner or later, goods must be sent out, or services must be rendered by our ships or by other means, in exchange for those imports. These goods and services mean employment for our people. No country could refuse to import and yet go on exporting.

The imports which we buy may mean less employment for our people in the trades that manufacture those kinds of goods, but they mean more employment for our people in the trades that manufacture the goods sent in exchange, or in the shipping and allied trades.

THE HOME MARKET

To this the Protectionists reply that if the goods were made at home instead of being bought from abroad, there would be more people at work here ; and those people would provide a market for still more goods which might be made at home. The home market would be enlarged. As many people might be employed in making for that enlarged market as are now employed in making the goods that we export. So that what we might lose in employment through a shrinkage of exports we might recoup through an expansion of demand at home.

But this is not so, because Protection means higher prices. If the home producer can sell as cheaply as the foreigner, what need is there of a tariff to keep the foreigner out ? Higher prices mean that fewer things are bought. If Protection caused an average *increase* of 20 per cent. in the cost of living, other things being equal there would be a 20 per cent. *decrease* in the *quantity* of things bought. This would mean a *decrease* in the number of people employed.

Two alternatives are possible. One is to import what we require cheaply from abroad, to send out our goods in exchange, and to keep the cost of living as it is, or, still better, to lower the cost of living. The other alternative is to endeavour to make this island as self-contained as possible, although the cost of living will be raised all round.

The second alternative will mean that many *fewer* British people will be employed than under the first alternative.

OUR CUSTOMERS ABROAD

Protectionists say that in any case the foreigners will not buy from us, as they shut out our goods by their tariffs; so we are compelled to give up hope of the foreign markets, and turn our minds to the home and Empire markets.

But it is not true that foreign countries do not buy from us. Their tariffs are of course a hindrance to our trade—and to their own. But, nevertheless, we sold in 1929 four hundred million pounds worth of goods to foreign countries. Germany bought more from us than Canada; Holland more than New Zealand; South America more than Australia and France practically as much as South Africa. And it is not true, as Protectionists suggest, that our exports to foreign countries are dwindling; on the contrary they have increased in the last three years, between 1927 and 1929, from 382 millions to 405, a growth of 6 per cent. If our trade with foreign countries were to be neglected, it would mean a vast extension of unemployment; if it were to disappear, it would mean disaster.

THE NEED TO EXPORT

Protectionists sometimes say that it does not matter very much if we do lose our export market in foreign countries, if we can keep our own home market for ourselves, giving further employment to our own workers there.

But the essence of the whole matter is that this small island, with 45 millions of inhabitants, must import most of its food if it is to live, and millions

worth of materials if its industries are to continue. We cannot do without those imports. And we cannot obtain them without paying for them. The rest of the world will not send us foodstuffs and raw materials for nothing. But we cannot pay for them, in the mass, by any other means than by selling goods and services to the world. We cannot be a self-contained island, depending upon our own home market. It is far too small for that. We must export if we are to live. That is why it is vital that we should maintain such conditions for industry here as will help our manufacturers to compete successfully in the markets of the world. Protection, by raising prices at home, and the cost of living, and the cost of production, does just the opposite to this and must cripple our export trade.

SAFEGUARDED EXPORTS

Protectionists say that the Safeguarded industries have all increased their exports; and that this proves that the Free Trade theory that protection is injurious to export trade is false.

But it is not true that all the protected trades have increased their exports. The only ones in which exports have grown to any extent are the new trades which have shown such a great expansion in recent years, motors and cycles, gramophones and records and artificial silk. These would certainly have shown an equally great expansion if there had been no Safeguarding; for their progress is due to new demands for the products of these new industries all over the world.

Here are the actual figures of exports of other protected goods, comparing 1924, the year before Protection was applied in most cases, with 1929:

BRITISH EXPORTS

	1924 £	1929 £	Increase or Decrease £	
CINEMA FILMS	329,688	211,854	117,834	DECREASE
CLOCKS AND WATCHES	76,186	61,445	14,741	DECREASE
*LACE AND NET	2,620,733	2,175,631	445,102	DECREASE
*LEATHER GLOVES	144,741	204,658	59,917	INCREASE
FABRIC GLOVES	66,607	23,459	43,148	DECREASE
GAS MANTLES	48,508	47,670	838	DECREASE
CUTLERY	912,866	974,082	61,216	INCREASE
†WRAPPING PAPER	398,115	378,299	19,816	DECREASE
*CHINA AND TRANSLUCENT POTTERY	310,011	406,137	96,126	INCREASE
BUTTONS AND STUDS	215,194	141,109	74,085	DECREASE
ENAMELLED HOLLOW-WARE	344,998	277,535	67,463	DECREASE
MUSICAL INSTRUMENTS (other than gramophones and records)	532,286	366,936	185,350	DECREASE
HOPS	524,104	134,551	389,553	DECREASE

* The figures for 1924 are all subject to qualifications in the official returns, and are apparently incomplete.

† 1925 figure. 1924 figure not available.

AGRICULTURE AND TARIFFS

Protectionists say that our agriculture will be ruined if we do not put duties on the importation of foreign wheat and other foodstuffs. Land is already going out of cultivation, and the whole countryside will be depopulated.

As a matter of fact, the production of wheat is only 4.3 per cent. of the total value of our agricultural produce. (Parliamentary Answer by the Minister of Agriculture, House of Commons, December 18th, 1929.) Our farmers produce nearly 96 per cent. of other foodstuffs. It would be a mistake to make the British people pay more for their bread in order to induce farmers to concentrate on the wheat crop, in competition with the more favourable natural conditions in Canada, Australia, U.S.A., and the Argentine. Denmark and Holland, which are countries in many respects like our own, have raised their agriculture to a high state of prosperity by devoting their attention to other things than wheat—in Denmark especially, by growing fodder crops on arable land. Those are the roads to greater prosperity for our farmers here.

PROTECTION AND THE FARMER

The Protectionists still insist that our farmers have a strong interest in supporting a tariff on foreign imports.

Some farmers might have and others not. Great numbers of agriculturists live by stock-raising, dairying and poultry-farming. To buy feeding-stuffs as cheaply as they can get them is of great importance to their industry. We import nearly £6 millions worth of feeding-stuffs from foreign countries, as well as over

£3 millions worth from Empire countries. We also import for our farmers nearly £3 millions worth of fertilisers from foreign countries, and only £112,000 worth from Empire countries. (Parliamentary Answer by the President of the Board of Agriculture, House of Commons, January. 21st, 1930.) All these foreign imports our Protectionists wish to tax; and they would be made so much dearer to the farmers who want to buy them. This would add considerably to their costs of production; and the taxation of the innumerable other requirements of the agricultural industry which is contemplated would be disastrous in its effects.

NEW FACTORIES

The Protectionists say that safeguarding has brought to this country a number of factories which have been established by foreign firms in order to get the advantage of the protective duties, and which give employment to numbers of British work-people.

But (1) Foreign firms have for many decades opened branch factories here. They have been attracted by the efficiency of our work-people, the facilities of our railways, roads and harbours, and the ease and cheapness with which, thanks to our Free Trade system, they could obtain all the materials they required from any part of the world. For example, in the electrical industry, which has never been "safeguarded," large factories were established here in the last century, on foreign initiative, by the General Electric Company, the British Thomson-Houston Company, the Western Electric Company, Messrs. Siemens—to name a few instances out of many.

(2) In most of the safeguarded trades no foreign branch factories at all have been established in this country since safeguarding was brought in.

(3) With regard to the example most frequently quoted by the Protectionists, the great new Ford factory at Dagenham in Essex, involving a capital expenditure of over £2½ millions, the facts were given by the Chairman of the Company, Sir Percival Perry, in his speech at the general meeting of the Company in London on March 7th, 1930. He said:—

> "I wish to take this opportunity most emphatically to deny certain statements which have been made, viz., that the imposition of import duties has impelled foreign manufacturers to establish industrial works in Britain. . . . I have to go back to pre-war days to tell you that long before Mr. McKenna was Chancellor, Mr. Henry Ford had acquired land in Britain, retained British architects and experts, built models of factories, and practically concluded his plans for the development of the European Ford industry along the lines which this company is to-day pursuing. It was only the outbreak of war which postponed these plans. I think I may tell you frankly that our company does not object to the McKenna duties, and really does not care whether they are continued or removed, or varied."

EMPIRE SUPPLIES

Protectionists say that we need not regard ourselves as dependent upon our imports from foreign countries, and upon sending them exports to pay for those imports; that the Empire has unlimited possibilities; that it would supply us with all the food and raw materials that we need, and that we ought to encourage the Empire countries to do so, by taxing the supplies that come from foreign countries, and letting Empire supplies come in free.

It is a fact that the territories of the Empire might in course of time supply us with most of what we need. But at present they send us not much more than a third of our foodstuffs and a fourth of our raw materials.

Imports Retained for Home Consumption in 1928.
(£ millions.)

	From the British Empire.	From Foreign Countries.	1928 Total.
Foodstuffs	187	316	503
Raw Materials ..	71	197	268
	258	513	771

Of course, the more the Empire share can be increased, the better, for it will mean a greater prosperity and a larger population for the British Dominions and Colonies. But how long will it be before the Empire can supply us with the five hundred millions' worth of food and materials we now get from foreign countries? And meanwhile why should the British working-classes be made to pay more for their food and manufactured requirements?

"A FREE TRADE EMPIRE"

Lord Beaverbrook and his party say that "Empire Free Trade" is the ideal at which we should aim.

Certainly it is; but that is not what they propose. They would encourage, it is true, freedom of commerce inside the Empire; but they also propose, in Lord Beaverbrook's own words, "*to put a tariff wall round the Empire, taxing all goods that come from outside.*" ("The Farmer's Crusade," by Lord Beaverbrook, p. 2.)

There are now nearly 700 million pounds' worth of goods which come into this country

every year from foreign countries without being subject to duties. (Parliamentary Answer by the President of the Board of Trade, House of Commons, March 10th, 1930.) The consumers of all these goods would be made to pay taxes under Lord Beaverbrook's scheme. This is not "Empire Free Trade." It is simply "Empire Protection." Lord Beaverbrook pays Free Trade the compliment of borrowing its name in order to cloak a policy which is the opposite of Free Trade. His case must be very weak when it seeks, from the very outset, to confuse and mislead the public mind by annexing a term having a definite meaning, and using it to describe a diametrically opposite policy.

IS EMPIRE FREE TRADE POSSIBLE?

Protectionists say that the Dominions would give us "Free Trade within the Empire," if we would buy our foodstuffs and raw materials from them and not from the foreigner.

To this the clearest answer has been given by Mr. Baldwin. In an article, in February, 1930, in "Home and Empire," a magazine issued by the headquarters of the Conservative Party, Mr. Baldwin praised Empire Free Trade as "an ideal" and "an ultimate aim." He went on to say:—

> "As a practical policy, however, Empire Free Trade is impossible to-day; and no responsible statesman could go to the country and tell the electorate that it would be introduced if he were returned to power. It cannot be done. The Dominions won't have it—they have said so in the clearest terms. Canada and Australia, for example, are self-governing countries, each with its own Protectionist

policy, which, for the present, it refuses to alter, and only within the last few weeks responsible political leaders in both these Dominions have stated categorically that 'Free Trade within the Empire is impossible.' *In face of such declarations from Dominion statesmen —declarations in which there is complete unanimity—no political party in this country can honestly adopt Empire Free Trade as a platform on which to fight the next General Election . . .* Lord Beaverbrook, I am sure, knows that his policy is repudiated by the political leaders in all our Dominions. Canada, Australia, and South Africa reject it as impracticable and impossible."

OUR TRADE WITH THE EMPIRE

Protectionists point out that the Dominions buy much larger quantities of our goods per head than foreign countries, and that therefore their trade is much more valuable to us.

It is true that they buy more *per head* of their populations, and that this trade is of the greatest importance to Great Britain. But it does not follow that our foreign trade is of less importance. The Dominions, in spite of their splendid growth in recent years, have still a white population of only about 22 millions, including the Irish Free State. The whole Empire, outside the United Kingdom, has a population of some 400 millions. But the world outside the Empire has a population of 1,400 millions.

In 1929 the Empire bought from us 325 million pounds' worth of goods, but foreign countries bought 405 million pounds' worth. It is foolish to treat these huge sales to foreigners as though they were of no account.

TARIFFS AND EMPIRE UNITY

Protectionists say that a tariff agreement between Great Britain and the rest of the Empire is the only means of preserving the Empire's unity.

On the contrary, it might well prove the surest means of injuring that unity, because :—

1. The British people would suffer through the increase in their cost of living. You cannot build an Empire patriotism on taxed food.

2. The interests in the Dominions which would suffer through the freer competition from Great Britain, if Free Trade were established within the Empire, would be aggrieved.

3. The Indian Nationalists would say that Indian industries were being sacrificed to British, and their agitation would be strengthened.

4. The great dependencies in Asia and Africa would feel that they were being kept as preserved markets for British manufacturers, even when their own interests might make them wish to purchase goods from others.

5. The British Empire, which includes one-fourth of the whole world, is regarded with toleration by the rest of mankind, because, in the main, the trade of all countries has equal access to it. If it were to be made into a closed system, it might be regarded in a very different light by the world at large. We might be able to face and to overcome the hostility that would ensue, but to evoke such hostility would not be an advantage to the Empire, nor would it conduce to the future peace and tranquillity of mankind.

EMPIRE DEVELOPMENT

Protectionists ask: "Are you not prepared to do anything to promote the development of the Empire, and to encourage the mutual trade of its various parts?"

Certainly there is much to be done. The success of the Empire Cotton Association, for example, which has helped to increase the production of cotton in Empire countries from 50 million lbs. before the War to 150 million lbs. at the present time, shows a road that might be followed in other cases. The Empire Marketing Board does a great deal to promote inter-Empire trade. There is much to be said for mutual arrangements for the encouragement of trade to be made by the leaders in various industries in different parts of the Empire. There is need for an active and sustained effort along these and other lines. But to limit branches of trade by customs tariffs, to raise prices against the consumers by putting on hundreds of new taxes, is the wrong road altogether.

Three-quarters of the trade of the Empire countries is with the world outside, and only one-fourth is trade among the Empire countries themselves. (Report of Imperial Economic Committee, 1930, p. 13.) Everything should be done, by enterprise and wise investment of capital, to encourage Empire trade and to increase its volume. But it would be most injurious to the Empire countries to check and hamper the overwhelmingly larger part of the trade which is carried on between them and the rest of the world, and that is what our so-called "Empire Free Traders" propose to do.

PROTECTION IN OTHER COUNTRIES

Protectionists ask why it is that, if Free Trade is right, all the rest of the world should have abandoned it?

The reason is that the governments of most other countries have not been able to resist the political pressure of particular interests which would gain from Protection at the expense of the rest of the community. If certain manufacturers or agriculturists see their way to influence their governments to make their customers pay them higher prices, they have a strong inducement to carry on a constant agitation to get laws passed to enable them to do this. They can also give their workpeople a plausible inducement to help them. They can silence opposition to a great extent by declaring that they are influenced by patriotism; and they make a plausible appeal to national sentiment against "the foreigner." In most countries there are not enough people who will give time, energy and money to fight them on behalf of the ordinary population; and that is why Protectionists usually succeed. Once they have fastened a protective tariff upon their country, the same influences are there to maintain it; and unless an immense effort is made—as in Great Britain when the Corn Laws were repealed eighty years ago—the system goes on indefinitely.

WHO IS RIGHT?

Protectionists ask whether it is likely that Britain alone is right in maintaining a Free Trade policy, and all the rest of the world is wrong.

Let us judge by experience. We must compare

like with like. The conditions in the United States are quite different from our own; they have a vast area of land in proportion to their population; they can be almost self-contained; they are the largest free-trade area in the world; they need not trouble very much about their foreign commerce, which is only a small fraction of their total trade. The comparison must be with the old countries of Europe. No Protectionist will deny that the standard of life here is much higher than that of almost every country on the Continent.

Further, the wealth of this country, with Free Trade, is far greater in proportion to population than that of any Protectionist country of Europe. So are its exports of manufactured goods, and that is what really matters.

France exported in 1929 £6 3s. 2d. per head; Germany, £7 10s. 6d.; the other countries less; the United Kingdom exported £12 15s. 1d. (The figure for the United States was £5 10s. 5d.).

Are the other countries wrong? *They are.*

WHAT ABOUT FRANCE?

The Protectionists say: "What about France? There is Protection there, and there is great prosperity and no unemployment."

That is true, but France is a country where the population is small in proportion to the area. Since the War there has been a vast expenditure of capital on works of development and reconstruction. This capital has been largely provided from German reparation money. There is, in fact, a dearth of labour in France to do the work which is needed, and large numbers of workers have been imported from Italy and Belgium.

Let it be remembered also that the payment of labour in France is much less than in this country—little more than half. If British workers would consent to their wages being reduced by a half, there would be an increase in demand for the cheaper goods that could be produced. But this country would not be prepared to have the regular employment of the French people at the cost which the French are paying for it.

GROWTH OF EXPORTS

Protectionists say that even if this country still has the lead in the export of manufactured goods, the Protectionist countries have been catching up rapidly, and will soon draw ahead of us.

That is not so. Sir Henry Page Croft, one of the most active Protectionists in the House of Commons, put down a question to the President of the Board of Trade (July 25th, 1929) to ascertain what the increase in the exports per head of population had been between 1880 and 1928 in a period of nearly half a century.

The figures showed a large growth in the protectionist countries; but, in spite of the fact that we already had in 1880 a much more highly-developed foreign trade than the other countries, there has been since that date an even larger increase here than elsewhere.

The increases have been:—

France — — — —	£4 6 5
Germany — — —	£4 17 8
United States — — —	£4 13 3
United Kingdom (including the Irish Free State) — —	£5 15 8

The figures for 1929 show that our lead has been further increased.

COBDEN'S HOPES

The Protectionists say that Cobden set out to establish the freedom of trade all over the world. That has not been done. There is no reason, therefore, why we should not establish a protective tariff here.

The first question which we have to consider is the interest of the people of the United Kingdom, as a whole, at the present time, and in future. If a tariff here would be harmful to us, in the conditions of the world to-day, it would be foolish to adopt it. We may be grateful for the work done by Cobden nearly a hundred years ago; but we are not advocating Free Trade to-day merely out of respect for anything that he and his colleagues may have said, but because we regard it as the best policy for the country now.

It is certainly true that the tariffs of other countries, including many Empire countries, are an injury to our commerce. But to impose tariffs here would not neutralise that injury. It would double it. Commerce is exchange. It is an inflow and an outflow of goods. Erect an obstacle at one coast-line, and the flow is restricted; erect another obstacle at the other coast-line, and it is doubly restricted.

TARIFF RETALIATION

The Protectionists say that we have no weapon with which to fight foreign tariffs; that if we could retaliate by taxing our imports from foreign countries, they would not be so ready to put duties on their imports from us.

But does this work out in that way in practice?

The other countries of the world are mostly Protectionist. They have this weapon in their hand. It has not enabled them to get any better terms in each other's markets than we have got. British goods go into France on the same terms as the same sort of German goods, and into Germany on the same terms as French. And so in all the other markets of the world.

The Balfour Committee on Trade and Industry summed up the facts by saying: "Broadly speaking and with relatively insignificant exceptions, British goods are admitted into foreign countries on terms at least as favourable as those applicable to similar goods imported from other foreign sources." (*Final Report, p.* 14.)

The Committee strongly condemned any system of attempted bargaining by imposing duties here. They say that it has been tried by other countries again and again. Experience "shows conclusively that it cannot in the long run lead, and that as a matter of historical fact it has not led, to a reduction in the general level of tariffs." If duties were to be imposed here as a weapon against other tariffs, "foreign countries", they say "would certainly anticipate them by preparing special bargaining rates." (*Final Report, pp.* 17, 18.)

After a period of disturbance to trade and heavy loss, we might succeed, then, in securing that they would take off *their new duties* if we would take off *our new duties*, and the position would return to what it is to-day.

A country which is resolved to give tariff privileges to its own industries will not be diverted by the fear of retaliation elsewhere. If we were to adopt the Protectionist system, there is no reason to think that the others would adopt Free Trade. It is far more likely that they would be led to think that they had been right all the time. "Now," they would say, "Britain also has abandoned Free Trade," and so far from removing their tariff walls, they would be likely to raise them still higher.

THE McKENNA DUTIES

Protectionists recall that the first of the present duties were imposed under a Free Trade Government by Mr. McKenna, the Chancellor of the Exchequer at that time. Free Traders, they say, are inconsistent in opposing such duties now.

Duties upon the importation of certain articles were imposed in 1915, purely as a temporary war measure. It was of great importance at that time to check any importation which was not essential. Our power to buy things abroad was limited; it had to be concentrated on the purchase of food-stuffs, raw materials and munitions. Besides, it was necessary to devote all the shipping space possible to those purposes. The Government of that day therefore imposed heavy duties on the importation of a number of articles, not for the sake of protection, nor yet for the sake of revenue, but for the reasons stated. All these duties were repealed, however, when the Labour Government was in office in 1924, and with the support of the Liberals in Parliament. They were imposed afresh by the Conservative Government in 1925; and Free Traders are resolved, quite consistently, that they shall be again repealed.

"A MATTER OF BUSINESS"

The Protectionists say: "Let this question be dealt with from the business man's point of view, and not as a matter of politics."

If each man looks at his own trade alone, he may find a good case for Protection—for the things that he *sells*. He will expect to get better prices if only he is freed from foreign competition.

But he forgets that, unless people are to be treated unequally, there will in fairness have to be Protection also for the things that he *buys*. Every man is inclined to be a Protectionist for what he sells and a Free Trader for what he buys. "The business man's point of view" may mean a narrow standpoint which only considers the immediate effect of a policy over a small part of the field, and does not take into account the later and wider effects of that policy. It must not be assumed that the interests of "business men" are always identical. They are often divergent, and sometimes mutually hostile.

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